

WATER/DON/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Advisory Branch**

**RESOLUTION W-4324
February 7, 2002**

R E S O L U T I O N

(RES. W-4324), ARROWHEAD MANOR WATER COMPANY, INC. (AMWC). ORDER AUTHORIZING THE RECOVERY OF COST FOR LEGAL FEES ASSOCIATED WITH AN EASEMENT TRANSFER PRODUCING AN INCREASE IN ANNUAL REVENUE OF \$9,431 OR 3.3%.

SUMMARY

By Advice Letter 45-W, filed October 1, 2001, AMWC seeks to increase rates by \$9,431 or 3.3% to cover expenses incurred to date resulting from an attempt to convert a U. S. Forest Service permit to permanent easement as a result of a land swap between the U. S. Forest Service and the San Bernardino Mountain Wildlife Society doing business as Wildhaven. The increase will not result in a rate of return greater than last authorized for AMWC.

BACKGROUND

AMWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover costs for legal fees associated with an easement transfer.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in "The Mountain News" on October 18, 2001, a newspaper of general circulation. The Water Division did not receive any correspondence objecting to the rate increase.

DISCUSSION

Since 1962, AMWC has enjoyed a permit from the USDA-Forest Service for the maintenance of storage reservoirs and underground pipelines on about 0.8 acres out of a total of 35 acres of Forest Service property. Wildhaven, who is acquiring this property through a land swap, is not willing to accept the terms and conditions of the Forest Service permit. AMWC has tried to negotiate a resolution on their own, however, they have been unsuccessful and had to utilize legal services. These legal costs are the purpose of this advice letter. Because it is essential that a utility have access to its facilities, the costs of pursuing the permit for permanent easement in this case is deemed prudent by the Water Division (Division). Ordinarily costs associated with utility property and easements are treated as capital and are part of rate base. In this case, because of the utility's weak financial condition, the Division recommends that AMWC be authorized to recover the costs with a one-time surcharge of \$16.84.

Since these costs will be recovered on a dollar-for-dollar basis, when they are recorded in the utility plant-in-service account, a corresponding dollar entry in the contribution-in-aid-of-construction account is required.

The customers have been made aware of this problem and AMWC has requested that the customers call and write letters to the Wildhaven Board of Directors and management encouraging them to negotiate a reasonable long-term easement for the AMWC's water facilities.

FINDINGS

The Commission finds, after investigation by the Water Advisory Branch, that the rate increase hereby authorized is justified, and the resulting rate increase is just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Arrowhead Manor Water Company, Inc. is authorized, five days after the effective date herein, to make effective the revised rate Schedule No. 1A, Annual Metered Service, and Schedule No. 1RA, Annual Residential Flat Rate Service, attached to Advice Letter No. 45-W, and to concurrently cancel the presently

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effective rate schedules.

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2. Costs authorized by this resolution that Arrowhead Manor Water Company, Inc. records in its utility-plant-in-service account requires a corresponding entry in its contribution-in-aid-of-construction account.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on February 7, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director